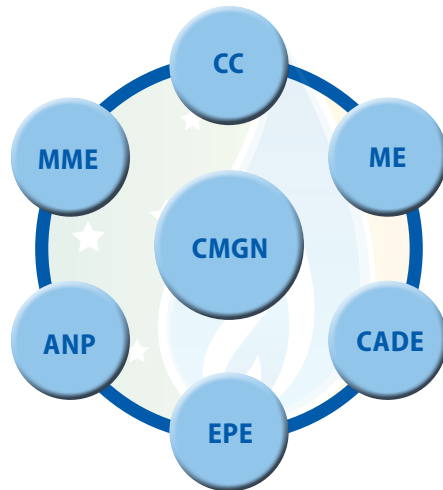


MONITORING COMMITTEE FOR THE OPENING OF THE NATURAL GAS MARKET - CMGN

ASSIGNMENTS

- To monitor the implementation of actions required for the opening of the gas market
- To propose measures to the National Council for Energy Policy, when necessary.



VALIDITY

The Committee's term expires on 12/31/2021, and can be extended by one year

* The Committee may form Work Groups to carry out specific studies in connection with the goals.

comitedogas@mme.gov.br



EXECUTIVE OFFICE OF
THE PRESIDENCY OF THE REPUBLIC

MINISTRY OF
ECONOMY

MINISTRY OF
MINES AND ENERGY



NEW GAS MARKET



JULY | 2019

Program coordinated by the Ministry of Mines and Energy, developed jointly with the Executive Office of the Presidency of the Republic, Ministry of Economy, Administrative Council for Economic Defense (CADE), National Agency for Petroleum, Natural Gas and Biofuel (ANP) and Energy Research Office (EPE) in order to form an **open, dynamic and competitive natural gas market**.

PILLARS

- Fostering competition
- Aligning state and federal regulations
- Integrating the gas, electricity, and manufacturing industries
- Eliminating tax barriers

EXPECTED RESULTS

- **To maximize the yield of pre-salt gas**, of the SE/AL basin, and of other discoveries
- **To expand natural gas upstream**, processing, transmission, and distribution investments
- **To increase competition in gas-fired thermal power generation**
- **To make the industry competitive again** in its different segments, such as cellulose, fertilizers, petrochemical, steel, glass, ceramic, among others

INSTRUMENTS

- ★ Decree that creates the **Monitoring Committee for the Opening of the Gas Market**
- ★ **Cease and Desist Agreement** (TCC) signed by CADE and Petrobras to end the state-owned company monopoly
- ★ **CNPE Resolution No. 16/2019**, containing guidelines to promote free competition in the natural gas market
- ★ **ANP Resolutions**
- ★ **State regulations supported by federal programs**, such as the Fiscal Balance Program (PEF), and the Program for the Strengthening of State Finances (PFE), in addition to communications and the demonstration effect
- ★ **Fiscal**: tax legislation review for natural gas, to be compatible with the new market design

MARKET OPENING GUIDELINES FOR THE STATES

- Promotion of good regulatory practices as recommended by ANP, for the local provision of piped gas services, including:
 - Transparency in the methodology for tariff calculation, which must provide economic incentives appropriate to the investments and the efficient operation of networks
 - Effective separation between commercial activities and network service provision activities
 - Tariff structure proportional to the use of distribution services, per user segment
 - Regulatory principles for free consumers, self-producers and self-importers
- Creation or maintenance of an independent regulatory agency, with minimal governance, transparency, and decision-making requirements
- Privatization of the local piped gas services utility, with the assessment of the opportunity and convenience to draw a new concession contract.
- Adherence to tax adjustments required for the opening of the natural gas market

Source: CNPE Resolution No. 16/2019

ANP REGULATORY SCHEDULE

Improving Regulations for the New Gas Market

2020

- Resolution on criteria for the independence of transporters
- Resolution on the interconnection of gas transmission pipelines
- Review of the resolution on transmission tariff

2021

- Guidelines for the elaboration of common access codes
- Review of resolutions on gas shipping, trading and the expansion of transmission capacity

2022

- Resolution on mechanisms for transferring income among TSOs of a same market area
- Review of the resolution on access to transmission pipeline

2023

- Resolution of conflicts related to Access to LNG terminals
- Characterization of the Natural Gas Transmission System